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Early Warning Legislation – SB 949 – 957

Barry, Branch and Calhoun ISDs support SB 955 which amends the Municipal Loan Act, increases the borrowing caps and impacts certain school districts in Michigan particularly those in a financial emergency or “financial stress”. Our ISDs collaborate in many service areas and provide a wide array of financial services to our constituent school districts, up to and including serving as their Business Manager.

The ISDs also support the “expert” **Workgroup creation** that is recommended in **SB 957**. These ISDs strongly believe that there is merit to having a committed discussion about what constitutes “financial stress” in terms of indicators and how, when and what school districts should report regarding financial information so that policy makers can assist the school district at the earliest possible decision-making points in time.

We cannot, however, at this time support the balance of this legislative package for the following reasons:

- The **entire process** recommended, as it relates to the Department of Treasury involvement in reporting and Enhance Deficit Elimination Planning (EDEP), **is a duplicative process that overlays, and sometimes overrides,** the Michigan Department of Education Deficit Elimination Planning (DEP) process. If there **could be improvements made in the DEP** process, we would be interested in having further debate about those recommendations. It is almost always difficult, if not *impossible, to serve two masters* wanting different data at different times albeit for similar results. This duplicative process also seems to allow Treasury to move districts much more quickly – perhaps ‘a rush to judgment’ – to the Emergency Manager stage.
- Our ISDs, in working with our constituent districts, know there are **critical times where districts need to review, and perhaps adjust their budgets**. If additional **reporting** is necessary, it **should be limited to these key decision-making points** (e.g.: around student counts). To do otherwise, creates an undue burden on districts facing financial difficulties with fewer and fewer staff to more and more reporting. Often, the staff level in the local district has limited expertise due to the ISD relationship.
- Also, in our experience, often difficult district decision-making is **around revenue projections and not expenditure decisions**. Most districts are very practiced in making difficult decisions relating to cutting programs and services. In this time of Schools of Choice, Charters and Cybers, it is much more difficult to project revenues for student counts and their local tax base has changed dramatically over the last several years with tax changes, tax exemptions and tax appeals.
- These ISDs and our constituent school districts are also **very concerned about how their local financial data is shared with state agency representatives**. At the present time, districts report FID (Financial Information Database) annually after their books have been closed and audited for the School Year. What this legislation proposes is for a software package to be selected that will allow access in real time to state agency staff. While this might be a nice compromise to additional reporting requirements, this is a very intrusive way to access local district data particularly when it has not been reviewed and prepared for public reporting.
- Finally, we **caution** legislators as they attempt to **define a district in “financial stress”** to use solid indicators that work for Michigan school districts. Once we **label a district** as such, in this very competitive environment, we are certainly putting **one more “strike against them”** with their parents, students and community.

Respectively Submitted: Rebecca A. Rocho, Asst. Superintendent/LEP; 269.420.0608